

**Testimony to Interim Committee on Children, Families, Health, and Human Services
September 11, 2017**

Re: Oppose Amendment of ARM 37.34.3005 and 37.86.3607

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I. Economic Benefits of Medicaid

A. "In economics this process is known as the "multiplier effect." A dollar put into an economy creates more than a dollar of economic activity. The magnitude of that multiplier is again subject to debate, but a reasonable estimate could be between 1.5 and 2.0. Thus after 2020, the 90 cents received from the federal government for each dollar in Medicaid spending translates to between \$1.35 and \$1.80 in state economic activity (crucially assuming enough slack in the economy to absorb the spending).

The state in turn taxes that extra economic activity. If the aggregate state tax rate (income tax plus sales taxes etc.) is 10 percent, then the extra economic activity generated by Federal government subsidy generates between 13 and 18 cents in tax revenue. The break-even tax rate (where added revenue due to induced economic activity equals the state share of spending) is about 7.5 percent, which is generally below the tax rate in many states."¹

1. This impact is confirmed by a 2013 Kaiser Family Foundation study.²

B. The NEJM did a study on Medicaid expansion in Michigan after the ACA was passed. Here are their findings³:

1. Annual spending decreased by \$235 million due to increase in mental and correctional health programs.

2. Confirmed the multiplier effect listed above in (IA).

3. Increased economic activity resulted from low-income individuals having more disposable income to contribute for housing, transportation, and food.

4. Employment: the study concluded that additional employment as a direct result of Medicaid went as high as 39,000 jobs. This was estimated to generate \$145-153 million dollars in tax revenue.

C. KFF findings on Medicaid expansion; includes 32 studies from 26 states⁴:

1. Increased Gross State Product (GSP).

2. Increased employment

3. From Montana (Bureau of Business and Economic Research at UM):

a. 2014-2021

b. 397-441 million in tax revenues

c. 3.8-4.2 billion in new labor income

¹ Chernew, M (2016). The economics of Medicaid expansion. *Health Affairs*. Retrieved from <http://healthaffairs.org/blog/2016/03/21/the-economics-of-medicaid-expansion/>.

² The Henry J. Kaiser Family Foundation (2013). The role of Medicaid in state economics and the ACA. *The Kaiser Commission on Medicaid and the uninsured*. Retrieved from <https://kaiserfamilyfoundation.files.wordpress.com/2013/11/8522-the-role-of-medicaid-in-state-economies-looking-forward-to-the-aca.pdf>

³ Ayanian, J. Z., Erlich, G. M., Grimes, D. R., Levy, H. (2017). Economic effects of Medicaid expansion in Michigan. *New England Journal of Medicine* 376(5), p. 407-409. doi: 0.1056/NEJMp1613981

⁴ The Henry J. Kaiser Family Foundation (2013)

4. 2016 update: spending per enrollee lower than non-enrollees since 2013 (6.9% decrease for adults on Medicaid), decrease in uninsured hospital visits.

II. Comprehensive School and Community Treatment (CSCT)

A. Suicide is the 2nd leading cause of death among young people in Montana⁵

1. 1/1/14-3/1/16: 11 suicides from ages 11-14, 73 from 15-24.
2. 83% of suicides in MT have a history of mental illness, 80% do not receive public mental health services.
3. 60.9% of major depression in kids 12-17 went untreated from 20010-2014.⁶
4. In MT, 69.5% of kids 12-17 showed improvement in functioning from treatment through the public mental health system.⁷

⁵ MTDPHHS (2016). Montana 2016 suicide mortality review team report. *Montana Suicide Mortality Review Team*. Retrieved from <http://www.sprc.org/sites/default/files/resource-program/2016%20Montana%20Suicide%20Mortality%20Review%20Report.pdf>

⁶ Substance Abuse and Mental Health Services Administration (2015). Behavioral Health Barometer. SAMHSA. Retrieved from https://www.samhsa.gov/data/sites/default/files/State_BHBarometers_2014_2/BHBarometer-MT.pdf

⁷ SMASHA, 2015